

California Community Colleges:

**The State Paid Millions of Dollars to
Community Colleges for Questionable
Training Agreements**

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May 20, 1996

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The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning instructional training agreements between community college districts and state, local, and private agencies. We determined that many community college districts are contracting with these agencies to generate millions of dollars in state funds for providing limited administrative support services. Specifically, of the 71 districts surveyed, 28 reported that they had such agreements and we estimate that these districts generated more than \$11 million in state apportionment funds.

We reviewed agreements that four districts had with state, local, and private agencies and found that both the district and the agency received benefits at the State's expense. For example, during fiscal year 1994-95, the four districts received \$3.9 million of state apportionment funds while the agencies earned \$2.6 million. State agencies used their earnings to procure goods and services "off the books," thereby circumventing the State's budget and procurement practices while local and private agencies received cash payments. Furthermore, we noted that three of the four districts did not meet the minimum conditions necessary to qualify the attendance of students in the training courses for state apportionment funds. As a result, these three districts inappropriately received approximately \$6.7 million of state apportionment funds.

Finally, we conclude that although the regulations allow districts to enter into agreements with public and private agencies, the agreements needlessly cost the State millions of dollars in that the districts receive state support for providing services that are primarily administrative rather than instructional in nature.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

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Table of Contents

Summary	S-1
Introduction	1
Chapter 1	
Some Community Colleges Generated Millions in Additional State Funds by Claiming Students Taught by Outside Entities	5
Recommendations	21
Appendix	
Estimate of State Funds Generated by Districts Through Instructional Agreements During Fiscal Year 1994-95	23
Responses to the Audit	
Chancellor's Office of California Community Colleges	25
California State Auditor's Comments on the Response by the Chancellor's Office of California Community Colleges	29
San Joaquin Delta Community College District	31
California State Auditor's Comments on the Response by the San Joaquin Delta Community College District	35
Monterey Peninsula Community College District	37
California State Auditor's Comments on the Response by the Monterey Peninsula Community College District	39
San Bernardino Community College District	41
California State Auditor's Comments on the Response by the San Bernardino Community College District	45

Allan Hancock Joint Community College District	47
---	----

***California State Auditor's Comments on
the Response by the Allan Hancock
Joint Community College District*** 51

California Department of Corrections	53
--------------------------------------	----

California Department of the Youth Authority	55
---	----

California Department of Justice	56
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Summary

Audit Highlights ...

- ☑ ***Some community colleges generate millions of dollars in additional state apportionment funding by using instructional contracts.***
- ☑ ***Four community college districts received at least \$9 million of additional state apportionment funds.***
- ☑ ***By accepting "in-kind" payments, some state agencies circumvented the State's budget and procurement process.***
- ☑ ***Lenient regulations allow college districts to needlessly cost the State millions of dollars.***

Results in Brief

The Board of Governors (board) of the California Community Colleges is responsible for providing statewide direction, coordination, and leadership to California's community colleges. The Legislature appropriates funds to the board for support of the Chancellor's Office and for various local assistance programs administered by the 71 community college districts (districts). The money allotted to the districts includes state general apportionment (state apportionment) funds. For fiscal years 1994-95 and 1995-96, the Legislature appropriated approximately \$886 million and \$1 billion, respectively, for state apportionment. The Chancellor's Office determines the amount of state apportionment funds to allocate to the districts based primarily upon the number of full-time equivalent students (FTES) the districts report to the Chancellor's Office.

We reviewed the districts' instructional and training agreements with state, local, and private entities for which the districts reported FTES to receive state apportionment funds. During our review, we found that many districts are generating millions of dollars in state funds for contractual agreements that require them to provide primarily administrative support services. Specifically, we surveyed the 71 community college districts and found that 28 districts had instructional or training agreements with state, local, and private entities for which the districts received an estimated \$11 million in state apportionment funds during fiscal year 1994-95.

In their descriptions of the contractual agreements, the 28 districts reported that the public or private entity provided the instruction and the facilities, while the districts supplied administrative support services, such as processing student admission and registration forms as well as attendance and grade reports. Although we are unable to conclude that these contracts violate current regulations, nonetheless, the districts generated millions of dollars in state apportionment for what appear to be administrative rather than instructional efforts.

We reviewed ten agreements at four districts that received additional state apportionment by contracting with five state agencies, two local agencies, and two private entities. By entering into these agreements, both the districts and the agencies benefited at the expense of the State. Specifically, during fiscal years 1994-95 and 1995-96, the districts received at least \$9 million in state apportionment funds for courses where the districts provide primarily administrative support services. Furthermore, through the agreements for fiscal year 1994-95, the state, local, and private agencies earned \$2.6 million. Some of the state agencies used their earnings to procure goods and services "off the books," thereby circumventing the State's budget and procurement procedures, while the local and private agencies received cash payments. Because the General Fund provides both the apportionment dollars that the districts receive and the funds to support the state agencies' training programs, the State is essentially paying twice for these courses. In other words, the State is needlessly incurring millions of dollars in additional costs so that participants in the training courses can receive college credit.

Furthermore, three of the four districts we reviewed did not meet the minimum conditions necessary to qualify the attendance of students in the contracted courses for state apportionment funds. As a result, the three districts inappropriately received approximately \$6.7 million of state apportionment funds during fiscal years 1994-95 and 1995-96.

Finally, we concluded that current regulations are too permissive. Although the regulations allow districts to enter into contracts with public and private entities and to qualify for state apportionment funding if districts meet minimal conditions, these arrangements needlessly cost the State millions of dollars for the limited administrative support services provided by the districts.

Recommendations

The Legislature should prohibit districts from generating additional state funds through instructional contracts for which the services provided by the districts are primarily administrative rather than instructional in nature.

The Chancellor's Office should calculate and recover the amount of state apportionment funds that the three districts received for which they did not meet the minimum conditions necessary to qualify for state apportionment funding. In

addition, the Chancellor's Office should determine whether the four districts we visited have other agreements for which they inappropriately received state apportionment funds.

The Chancellor's Office should also determine whether the remaining districts that have had these types of agreements have met the conditions necessary to qualify for state apportionment funding. After making this determination, the Chancellor's Office should recover funds from those that have not met the requirements.

Finally, state agencies should discontinue the practice of generating additional revenues and procuring goods and services "off the books." Rather, state agencies should ensure that they include all revenues and expenditures in their annual budget to the Department of Finance.

Agency Comments

The Chancellor's Office states that it will follow-up and proceed with the recovery of any state apportionment funds from the community college districts that did not meet the conditions to qualify for such funds. However, the Chancellor's Office does not agree that districts should be prohibited from entering into agreements that generate additional state apportionment funds. The Chancellor's Office argues that districts need the low cost programs that these contracts provide to balance the higher cost programs of the districts. Further, the community college districts disagreed with some of the findings and conclusions contained in our report. We provide our comments to these and other concerns raised by the Chancellor's Office and the community college districts after their respective responses.

Finally, the California Department of Corrections, the California Department of the Youth Authority, and the California Department of Justice generally concurred with our findings and recommendations.

Introduction

The Board of Governors (board) of the California Community Colleges was established to provide statewide direction, coordination, and leadership to the public community college segment of California higher education. The board seeks to ensure the most prudent use of public funds and to improve district and campus programs through informational and technical services. The Legislature appropriates funds to the board for support of the Chancellor's Office and allots such funds as state general apportionment (state apportionment) for various local assistance programs administered by the community college districts (districts). For fiscal years 1994-95 and 1995-96, the Legislature appropriated general funds to the board totaling approximately \$886 million and \$1.0 billion, respectively, for state apportionment.

State apportionment funds supplement local resources in financing the general education programs for the 107 community colleges organized within the 71 districts. Each year the Chancellor's Office apportions state aid to the 71 districts in accordance with the Education Code and the California Code of Regulations. The Chancellor's Office determines the amount of state apportionment funds to allocate to each district based primarily on the number of full-time equivalent students (FTES) the districts report to the Chancellor's Office.

FTES is a workload measure that represents 525 class hours of student instruction or activity in credit and noncredit courses. Generally, one FTES represents a student who attends community college courses three hours per day for one academic year. The Chancellor's Office uses the number of FTES reported by the districts to calculate the state apportionment funding each district will receive up to a preestablished level for each district. In addition, when a district exceeds its preestablished level of FTES and is eligible for supplemental funds, the Chancellor's Office uses the excess FTES to calculate the amount of supplemental funding for those districts.

Districts use the apportionment funds they receive to support their community colleges, including the instruction provided. Districts can contract with public or private entities to provide

specific training, instruction, or services to these entities. The California Education Code, Section 78020, describes this contractual arrangement as “contract education.” In addition, Title 5, Section 58058(b), of the California Code of Regulations allows districts to enter into contracts with public or private entities for which the public or private entity provides instruction or training.

At the request of a member of the California Legislature, the Legislative Analyst’s Office (LAO) conducted an initial review of an instructional agreement between the San Joaquin Delta Community College District (Delta) and the California Department of Corrections’ (Corrections) Richard A. McGee Correctional Training Center. The LAO reported that Delta may have inappropriately increased its FTES number to obtain additional state funding. Specifically, the LAO was concerned that although Corrections conducted the instruction and incurred all the instructional costs for the training programs conducted at its correctional officer academy, Delta included these hours of instruction in its FTES report to the Chancellor’s Office for state apportionment funding. The LAO was also concerned that, in exchange, Corrections received equipment purchased by Delta, thereby circumventing the State’s budget process. The LAO felt that these types of agreements may abuse state funding, be illegal, and circumvent the financial accountability of state agencies.

Scope and Methodology

At the request of the Joint Legislative Audit Committee, we were asked to review agreements between community colleges and state, local, and private entities throughout the community college system. Specifically, we determined whether agreements similar to the Delta and Corrections contract exist in other districts, whether districts appropriately report the number of FTES generated from these agreements, and how much additional state funding the districts receive as a result. In addition, we determined the amount and purpose of expenditures made by districts on behalf of state agencies and other contractors, whether adequate controls exist over the procurement and payment for goods and services, and whether adequate controls exist over the receipt and inventory of goods and services.

To determine if instructional or training agreements similar to the one between Delta and Corrections exist, we surveyed the 71 districts and 25 state agencies. Specifically, we asked the districts to report their fiscal year 1994-95 and 1995-96

agreements with either public or private entities for which they reported FTES to the Chancellor's Office to obtain state apportionment funding. In addition, we asked the state agencies to report their fiscal year 1994-95 and 1995-96 agreements with community colleges.

To determine whether the districts appropriately reported the number of FTES generated from the agreements and how much additional state funding the Chancellor's Office apportioned because of these agreements, we reviewed a sample of agreements at San Joaquin Delta, San Bernardino, Monterey Peninsula, and Allan Hancock Joint community college districts. In addition, we verified that the total number of FTES the district reported to the Chancellor's Office included the number of FTES generated by the selected agreements. We also confirmed whether the number of FTES reported by the four districts met the following required conditions to qualify for state apportionment funds:

- Programs or courses must be approved;
- Courses must be open to the general public;
- Students must be under the immediate supervision of a district employee; and
- The district employees must possess valid credentials or meet the minimum qualifications required for the assignment.

To determine the amount and purpose of expenditures made by the districts on behalf of the entities with which they had agreements, we interviewed district staff to identify the controls and procedures used to monitor expenditures, and inquired about the nature of the expenditures made on behalf of the other entities.

To determine whether adequate controls exist over the procurement and payment for goods and services, we interviewed staff at the districts we visited to identify the process each district uses to procure goods and services on behalf of the other entities. In addition, we reviewed requisition requests, purchase orders, and contracts. We also interviewed staff at state agencies regarding the process they use to budget, procure, and pay for goods and services obtained through the districts.

To determine whether adequate controls exist over the receipt and inventory of goods and services, we interviewed staff at the districts we visited to document the process they use to receive and inventory goods and services procured on behalf of the other entities. We also traced selected goods to the districts' and state agencies' receiving reports and inventory records, and we verified the physical existence of equipment items. Finally, we interviewed staff at state agencies regarding the process they use to receive and inventory goods and services procured by the districts on their behalf.

Chapter 1

Some Community Colleges Generated Millions in Additional State Funds by Claiming Students Taught by Outside Entities

Chapter Summary

Some community college districts (districts) received millions of dollars in additional state support by entering into agreements with state, local, and private entities for which the entities also received benefits at the expense of the State. We reviewed ten agreements that four districts entered into with five state agencies, two local agencies, and two private entities for fiscal years 1994-95 and 1995-96, and we determined that the districts received approximately \$9 million for providing administrative support services. In addition, during fiscal year 1994-95, the state, local, and private entities earned revenues totaling \$2.6 million for training programs that, in most cases, they were providing to their own employees. Further, some of the state agencies used their earnings to circumvent state budget and procurement procedures by obtaining “in-kind” goods and services, such as supplies and equipment, from the districts. In contrast, the local and private entities and one state agency received cash payments from the districts.

Although state regulations allow districts to report to the Chancellor’s Office the number of full-time equivalent students (FTES) they generate through these types of agreements, the reported FTES at three of the four districts in our sample did not meet the minimum conditions to qualify for state funds. Further, we determined that by providing limited administrative support services, districts could comply with the state regulations and claim FTES for which they receive millions of dollars in state apportionment funds. Moreover, because the State’s General Fund provides both the apportionment dollars that the districts receive and the funds to support the training programs that the state agencies offer, the State is needlessly incurring additional costs so that participants in the training courses can receive college credits.

***Many Community Colleges Are
Generating Additional State Funds
by Contracting With Other Entities***

Many districts are contracting with public and private entities to generate millions of dollars in additional state funds. Of the 71 districts that we surveyed, 44 indicated that they had instructional or training agreements for which they generated and reported FTES to the Chancellor's Office. In their descriptions of the agreements, 28 of the 44 districts reported that their contractual agreements state that the public or private entities will provide the instruction and facilities, while the districts will supply administrative support services.

*State paid more than
\$11 million to districts for
administrative support
services.*

For 64 of the 133 contracts we reviewed between these districts and public or private entities, the contractor—a state agency, local government, or a private company—agreed to provide the instruction or training and the facilities. In exchange, the district agreed to provide administrative support services, such as student admission, registration, and recordkeeping, and to pay the contractor a certain amount per student or student contact hour.

While we are unable to conclude that these contracts violate current regulations, we nonetheless found that the districts generated millions of dollars in additional state revenue with what appears to be administrative rather than instructional effort on their part. We estimate that for fiscal year 1994-95, the State paid more than \$11 million to the 28 districts for the administrative support efforts they provided under these contractual agreements. The appendix presents a table that lists the 28 districts, the number of FTES the districts generated through the agreements, and our estimate of the state funding associated with these FTES numbers.

***Four Districts Generated \$9 Million
in State Support Through Contracts
With State, Local, and Private Entities***

After conducting the survey, we visited 4 of the 28 districts—San Joaquin Delta (Delta), Monterey Peninsula, San Bernardino, and Allan Hancock Joint community college districts—and reviewed a total of ten contractual agreements at those districts. In all ten agreements, each district provided administrative support services in exchange for the number of FTES that it reported to the Chancellor's Office to generate state

funding through the apportionment process. In addition, the contractors provided the instructors and facilities in exchange for equipment, money, and college credits for their employees or participants. As shown in Table 1, we estimate that, over a two-year period, the 4 districts in our sample generated more than \$9 million of state apportionment funding through these types of agreements with five state agencies, two local agencies, and two private entities.

Table 1
Four Districts Generated \$9 Million
Through Agreements During
Fiscal Years 1994-95 and 1995-96

	Fiscal Year 1994-95		Fiscal Year 1995-96 ^a		Total	
	Number of FTES Generated	Estimate of State Funds Generated ^c	Number of FTES Generated	Estimate of State Funds Generated ^c	Number of FTES Generated	Estimate of State Funds Generated ^c
Community College Districts and Contractors^b						
San Joaquin Delta Community College District:						
California Department of Corrections	1,356.13	\$1,859,322	1,405.02	\$2,137,457	2,761.15	\$3,996,779
California Department of the Youth Authority	92.61	126,973	102.02	155,203	194.63	282,176
District Subtotal	1,448.74	1,986,295	1,507.04	2,292,660	2,955.78	4,278,955
San Bernardino Community College District:						
San Bernardino County Sheriff's Department	435.57	418,648	348.28	414,119	783.85	832,767
District Subtotal	435.57	418,648	348.28	414,119	783.85	832,767
Monterey Peninsula Community College District:						
California Department of Justice	217.22	246,310	133.43	198,365	350.65	444,675
San Francisco Police Department	360.78	409,096	492.40	732,031	853.18	1,141,127
District Subtotal	578.00	655,406	625.83	930,396	1,203.83	1,585,802
Allan Hancock Joint Community College District:						
Office of Emergency Services	134.25	195,797	128.78	225,629	263.03	421,426
Department of Forestry and Fire Protection	25.47	37,147	24.58	43,065	50.05	80,212
Private Company 1	405.36	591,197	477.93	837,357	883.29	1,428,554
Private Company 2	36.95	53,890	253.80	444,670	290.75	498,560
District Subtotal	602.03	878,031	885.09	1,550,721	1,487.12	2,428,752
Total	3,064.34	\$3,938,380	3,366.24	\$5,187,896	6,430.58	\$9,126,276

^a The number of fiscal year 1995-96 FTES is annualized as reported to the Chancellor's Office for the first period state apportionment funding.

^b Contractors shown in bold print are state agencies.

^c The amounts are based on averages and do not reflect the actual amounts calculated by the Chancellor's Office.

To calculate the estimated amount of state funds each of the districts received for the agreements we reviewed, we determined the average amount of state apportionment funds that each district received for a particular fiscal year. We then multiplied this average by the number of FTES the districts reported for each agreement. For example, during fiscal year 1994-95, Delta reported 14,035 FTES and received a total of approximately \$19.2 million of state funds for an average of

\$1,371 per FTES. Using this average, we determined that for the 1,356 FTES it reported for its agreement with the California Department of Corrections (Corrections), Delta received approximately \$1.9 million in state funding.

As shown in Table 2, the contractors also benefited from the agreements with the districts.

Table 2
Contractors Earned More Than
\$2.6 Million Through Agreements
With Four Community College Districts
in Fiscal Year 1994-95


Community College Districts and Contractors*	Amount Earned	Equipment	Student Fees	Other Expenditures	Cash Payments	Remaining Earnings
San Joaquin Delta Community College District:						
California Department of Corrections	\$ 787,500	\$257,437	\$358,072			\$171,991
California Department of the Youth Authority	65,637	22,733	29,016			13,888
District Subtotal	853,137	280,170	387,088			185,879
San Bernardino Community College District:						
San Bernardino County Sheriff's Department	607,408		25,178	\$204,743	\$ 377,487	
District Subtotal	607,408		25,178	204,743	377,487	
Monterey Peninsula Community College District:						
California Department of Justice	223,508	39,450	24,079	30,551		129,428
San Francisco Police Department	327,112				327,112	
District Subtotal	550,620	39,450	24,079	30,551	327,112	129,428
Allan Hancock Joint Community College District:						
Office of Emergency Services	167,165		52,026		115,139	
Department of Forestry and Fire Protection	3,871			3,871		
Private Company 1	398,500				398,500	
Private Company 2	50,287		10,510		39,777	
District Subtotal	619,823		62,536	3,871	553,416	
Total	\$2,630,988	\$319,620	\$498,881	\$239,165	\$1,258,015	\$315,307

* Contractors shown in bold print are state agencies.


We determined that for fiscal year 1994-95 alone, these state, local, and private entities earned approximately \$2.6 million of additional revenues through their contractual agreements with the four districts. The state agencies generally used their earnings to receive "in-kind" benefits, such as student fees and equipment. The local and private entities, as well as one state agency, received cash payments from the districts. For example, the San Francisco Police Department (SFPD) received cash payments totaling \$327,112 from Monterey Peninsula for the number of FTES that it generated.

In the contractual agreements, the four districts in our sample had required the state, local, and private entities to provide instruction and the facilities for the students. Most of the agreements specified that the contracting entities would pay the students' fees. The contracts also usually required the districts to pay the contractors an amount per student hour of instruction and to perform administrative functions such as processing student admission and registration forms as well as attendance and grade reports.

For example, as noted earlier, Delta had an agreement with Corrections for which both parties received benefits at the expense of the State. Specifically, Delta generated and reported to the Chancellor's Office 1,356 FTEs through Delta's agreement with Corrections for fiscal year 1994-95. We estimate that Delta received approximately \$1.9 million in additional state apportionment funds for the limited administrative support services it provided that year. These administrative services included obtaining approval of the initial contract course from the district's governing board, publishing a description of the course in its school catalog, announcing the course by posting flyers on the campus, and processing student admissions and registration forms as well as attendance and grade reports.




Corrections received in-kind benefits and circumvented the State's budget and procurement processes.




Corrections benefited from the agreement by earning \$787,500 for training courses that it was already providing to its employees. Specifically, Corrections received \$1.50 per student hour for each employee enrolled in its training program. However, rather than receive direct payments from Delta, Corrections chose to receive "in-kind" benefits and thus circumvented the State's budget and procurement processes. For example, Corrections augmented its equipment budget by requesting that Delta purchase supplies and equipment totaling \$257,437. In addition to the supplies and equipment, Delta offset student fees of \$358,072 for Corrections employees against the department's earnings, of which \$171,991 remains.

In February 1996, the director of Corrections informed Delta's superintendent that Corrections was terminating its agreement with the college. Corrections also informed Delta that it did not intend to accept delivery of any of the equipment that the college was currently storing for the department. Corrections stated that it intended to return any and all unopened boxes of supplies and equipment purchased under the agreement. At the time of our review, Delta was storing approximately \$217,000 of the equipment, and \$40,000 in supplies and equipment was either in use or stored at the Corrections academy in Galt.



The State incurred approximately \$1.9 million in additional costs so that each enrolled Corrections employee could receive 12 units of college credit.



By enrolling as students of Delta, Corrections employees received college credits for training that their department was already providing at state expense. As a result, the State incurred approximately \$1.9 million in additional costs so that each enrolled Corrections employee could receive 12 units of college credit. Table 3 shows the actions taken by Delta and Corrections to generate additional funds.

Likewise, the California Department of the Youth Authority (Youth Authority) enrolled its employees as students of Delta and thereby allowed them to earn college credit for Youth Authority training already provided at state expense. The contract between Youth Authority and Delta that allowed Youth Authority employees to receive 12 units of college credit cost the State approximately \$127,000. However, in February 1996, the Youth Authority director, like the Corrections director, informed the superintendent of Delta that Youth Authority was terminating its agreement with the college. The Youth Authority director expressed concern about the appropriateness of the financial arrangement between his department and Delta in light of recent questions raised by the Legislative Analyst's Office.


As Table 3 shows, during fiscal year 1994-95, Delta generated 1,356 FTES for correctional officer cadets trained at the Corrections academy in Galt. Both parties benefited financially from this contractual agreement, as discussed earlier. By contributing only minimal administrative effort, Delta generated nearly \$1.1 million of additional state support. For its part, the Corrections academy received equipment and supplies "off the books," and Corrections cadets received college credit for training already provided by their employer at state expense.

Table 3


***Process Used by the San Joaquin Delta College
and the California Department of Corrections
To Receive Benefits at State Expense
During Fiscal Year 1994-95***

Process Used by Delta and Corrections	Chancellor's Office	Delta	Corrections
1 Delta and Corrections enter into a written agreement.		Delta College agrees to provide or assist with the following: <ul style="list-style-type: none"> • Admission, counseling, registration, and records; • Providing credit for courses completed; and • Paying Corrections \$1.50 per attendance hour, up to \$787,500, less student fees. 	Corrections agrees to provide the following: <ul style="list-style-type: none"> • Instructional material; • Instruction and training; • Training facilities; and • Basic academy cadets.
2 Corrections cadets register as Delta students.		Delta registers the cadets as students.	Basic academy cadets complete the Delta registration forms.
3 Corrections completes its training of cadets.		Delta processes the attendance and grade report records.	Corrections completes basic academy instruction for cadets and submits grade reports and rosters to Delta. Corrections cadets receive college credit for the Corrections training.
4 Delta reports its number of fiscal year 1994-95 FTES to the Chancellor's Office.	The Chancellor's Office calculates and initiates payment of Delta apportionment funds, of which approximately \$1.9 million is attributable to FTES from the Corrections agreement.	Delta submits its report of FTES to the Chancellor's Office and includes the 1,356 FTES generated through the Corrections agreement. Delta receives the apportionment payment from the Chancellor's Office.	
5 Equipment and supplies are procured by Delta on behalf of Corrections.		Delta calculates that Corrections earned \$787,500 and deducts \$358,072 in student fees. Delta procures and pays for equipment and supplies on behalf of Corrections.	Corrections uses some of the earnings to requisition \$257,437 of equipment and supplies through Delta. Corrections receives equipment and supplies for use at its academy.

The Monterey Peninsula Community College District (Monterey Peninsula) and the California Department of Justice (DOJ) also received benefits at state expense. For fiscal year 1994-95, Monterey Peninsula generated 217 FTEs through two agreements with the DOJ, including one with the DOJ's Advanced Training Center and the other with the DOJ's California Criminalistics Institute. We estimate that Monterey Peninsula received approximately \$246,000 in state apportionment funds for these FTEs, which it reported to the Chancellor's Office. As in the case of the Delta and Corrections contract, Monterey Peninsula provided only administrative support services under these agreements.



The DOJ obtained \$94,000 in goods and services "off the books" from Monterey Peninsula Community College.



By entering into the training contracts with Monterey Peninsula, the DOJ received benefits at state expense because it earned approximately \$223,500 and used a portion of these earnings to obtain goods and services "off the books." Specifically, Monterey Peninsula agreed to pay the DOJ \$2 per student hour for training the DOJ already provides to its employees and employees of other law enforcement agencies. Monterey Peninsula tracks the DOJ earnings in a separate account for the exclusive use of the DOJ. Like Corrections, the DOJ did not include the earnings and expenditures from these agreements in its annual budget. Furthermore, it inappropriately used these earnings to procure "in-kind" benefits totaling \$94,000 in fiscal year 1994-95. These in-kind benefits included student fees, supplies, equipment, and consulting services that Monterey Peninsula paid for on behalf of the DOJ.

By using some of the earnings from its agreement with Monterey Peninsula to pay for student fees, equipment, and consulting services, the DOJ circumvented the State's budget and procurement process. Although the DOJ claims that the equipment purchased by Monterey Peninsula on its behalf is actually the property of Monterey Peninsula, the DOJ's actions clearly indicate that it controlled the procurement process. Specifically, the DOJ initiated the procurement, selected the vendors, and then requested Monterey Peninsula to pay for the equipment. The DOJ also requested Monterey Peninsula to prepare individual checks or purchase orders made out to the vendors. These checks or purchase orders were then either sent directly to the vendors by Monterey Peninsula or to the DOJ for delivery to the vendors. Furthermore, the DOJ placed state property tags on equipment paid for by Monterey Peninsula.

Unlike the state agencies, the San Francisco Police Department (SFPD) received approximately \$327,000 in direct payments for the \$2 per student hour it earned through its agreement with Monterey Peninsula. Under the same agreement, Monterey

Overall, during fiscal year 1994-95, the State paid more than \$3.9 million so that participants in training courses could receive college credit.

Peninsula generated approximately \$409,000 in state apportionment funds for the limited administrative support services it provided.

Although current Title 5 regulations allow districts to enter into contracts with training providers and to qualify for state funding if minimal conditions are met, we believe these arrangements needlessly waste millions of dollars because the districts provide limited administrative support services for the FTES they claim. In fiscal year 1994-95, the State paid a total of more than \$3.9 million so that participants in the training courses provided by the public and private entities could receive college credit.


Three of the Four Districts Did Not Meet All the Conditions Needed To Receive Nearly \$6.7 Million for Fiscal Years 1994-95 and 1995-96

Although Title 5 of the California Code of Regulations (CCR) allows contracts between districts and training providers, three of the four districts we reviewed did not comply with the minimum conditions required to qualify for state funds. Section 58050 of the CCR specifies eight conditions that districts must meet for attendance to qualify for state apportionment funding. For example, the board of governors must approve each course, which must meet certain criteria and standards established for associate degree credit. The course must be open to enrollment by the general public, and the students must be under the immediate supervision of a district employee while they are in class, unless provided otherwise by law. District employees must also have a valid credential or meet minimum qualifications adopted by the board of governors to teach the course.


Three of the four districts we reviewed did not meet one or more of the eight conditions necessary to qualify the attendance of students in the courses for state apportionment. Specifically, Delta, Monterey Peninsula, and San Bernardino did not ensure that a district employee supervised the students while they were in class. Delta also did not meet the condition that district employees have a valid credential or meet minimum qualifications established by the board of governors. Further, Monterey Peninsula did not ensure that the courses were open to the general public.

***Delta College Did Not Meet Two
of the Eight Conditions Necessary
To Qualify Courses for
State Apportionment Funds***

Although Section 58050 of the CCR requires that students in the courses be under the immediate supervision of an employee of the district while in class, Section 58058(b) allows districts to contract with public or private agencies for instructional services. However, the section states that the contracts for instructor services must specify that the district has the right to control and direct the activities of the person furnished by the public or private agency. The section also requires the district to enter into a written agreement with each instructor provided by the public or private agency. The regulation states that these provisions allow the individual to remain an employee of the public or private agency while at the same time qualifying as a district employee.



*Most of the Corrections
and Youth Authority
instructors did not have
written contracts with
Delta College at the time
they taught.*



At Delta, most of the instructors that supervised or taught the courses provided under the agreements with both Corrections and Youth Authority were not Delta employees. The instructors did not qualify as district employees because Delta had not executed contracts with each of them. For example, of the 20 Corrections instructors we reviewed, 9 did not have written contracts with Delta at the time they taught the courses. Three of the instructors taught courses in fiscal year 1994-95; however, Delta did not enter into contracts with these instructors until February or March 1996. The remaining 6 instructors who taught courses between July and December 1995 did not have contracts with Delta until February 1996. Similarly, 10 of the 11 instructors for the Youth Authority did not have written contracts with Delta until February or March 1996, even though they taught courses in fiscal year 1994-95 and July through December 1995.

In addition, Delta did not ensure that the instructors met the minimum requirements to be eligible to teach credit courses at community colleges. We reviewed the qualifications for 31 Corrections and Youth Authority instructors and found that 7 did not meet the minimum qualifications outlined in state regulations. Section 53410 of the CCR states that instructors must meet one of the following three requirements to serve as a community college faculty member teaching credit courses:

- Possession of a master's degree, or equivalent foreign degree, in the discipline of the teaching assignment;

- Possession of a master's degree, or equivalent foreign degree, in a discipline reasonably related to the assignment, and possession of a bachelor's degree, or equivalent foreign degree, in the discipline of the teaching assignment; or
- A bachelor's degree, or equivalent foreign degree, plus two years of professional experience in the subject area, or an associate degree, or equivalent foreign degree, plus six years of professional experience in the subject area.

If an instructor does not meet these minimum requirements, Section 53430 allows districts to establish standards, criteria, and a process to determine whether the instructor possesses qualifications that are at least equivalent to the minimum requirements. Representatives of the governing board and the academic senate must develop and agree upon the process, standards, and criteria. The governing board must approve the process, standards, and criteria. It must then make a written record of its determination of equivalent qualifications available for review.

Delta could not demonstrate how the Corrections and Youth Authority instructors met the minimum requirements, nor could it provide evidence that the governing board had determined that the instructors possessed equivalent qualifications.

Monterey Peninsula Did Not Meet Two of Eight Conditions


None of the SFPD and DOJ instructors had written contracts with Monterey Peninsula.

At Monterey Peninsula, none of the 26 instructors who taught training courses for the SFPD and the DOJ was an employee of Monterey Peninsula. Like the Delta instructors discussed above, the course instructors that supervised or taught the courses did not have written contracts with Monterey Peninsula.


To determine whether the instructors met the minimum qualifications required to teach courses for community college credit, we had to contact the SFPD and the DOJ directly because staff at Monterey Peninsula could not identify for us the course instructors until staff reviewed the course attendance rosters. DOJ officials informed us that it supervised, paid, and evaluated all of the instructors for the courses taught through its Advanced Training Center and its California Criminalistics Institute.

In addition, Monterey Peninsula did not ensure that the courses conducted through its agreement with the DOJ were open to the general public. As stated earlier, one of the conditions that

courses must meet to qualify for state apportionment funds is that the courses must be open to enrollment by the general public. Specifically, Section 58104 of the CCR states that all courses must be described in the official general catalog, or an addendum, and must be listed in the schedule of classes to ensure the information about the course is properly disseminated to the student population. The section further states that courses the district establishes after publication of the catalog or class schedules must be reasonably well publicized.



*Monterey Peninsula
received FTES for classes
taught 175 miles away.*




Monterey Peninsula failed to list in its schedule of classes the courses provided through its agreement with the DOJ. In addition, the DOJ held many of its courses at DOJ facilities in Sacramento, more than 175 miles from the Monterey Peninsula campus, while it held other courses at hotels throughout the State. The DOJ stated that registration for the courses was open primarily to members of the law enforcement community and secondarily to DOJ employees who met course prerequisites. The DOJ indicated that the Commission on Peace Officer Standards Training (POST) paid for the majority of its courses for the Advanced Training Center. The contract with POST required that 70 percent of the slots in each class be reserved for students from POST reimbursable agencies (that is, local law enforcement agencies), while DOJ employees or non-POST reimbursable students could fill the remaining 30 percent of class openings. The DOJ further stated that the Advanced Training Center courses were not advertised as Monterey Peninsula courses and the classroom facilities were not open to the public. Based on this information, we conclude that the courses were not open to the general public.


***San Bernardino Community College
District Did Not Have Contracts
With Course Supervisors***

We reviewed a training agreement between San Bernardino Community College District (San Bernardino) and the San Bernardino County Sheriff's Department and we determined that San Bernardino does not ensure that students in the courses are under the immediate supervision of a district employee. San Bernardino provides both an on-campus and off-campus law enforcement training course. The off-campus course is held at the San Bernardino County Sheriff's Department Training Center (training center). Because off-campus classes at the training center may be scheduled any day of the week and may extend beyond the normal 8:00 a.m. to 4:30 p.m. workday, San Bernardino has attempted to satisfy the Title 5 regulatory requirements using a two-tiered approach. First, a district

employee, the head of the police science department, is on site at the training center three to five days per week. In addition, she is available by pager 24 hours a day, seven days a week and is generally within a 15-minute commute of the training center. Second, on those occasions when the district employee is not on site at the training center, sheriff's department staff are designated as on-site supervisors who are physically present during the classes.




San Bernardino did not comply with the requirement that students be under the immediate supervision of a district employee.




San Bernardino believes this approach satisfies the requirement that an authorized employee be able, in terms of physical proximity and range of communication, to provide immediate instructional supervision and control. However, we believe the district's approach is deficient. Specifically, we do not believe that having the district employee available by pager and within a 15-minute commuting distance meets the requirement that students remain under the immediate supervision of an employee of the district. Furthermore, the district has not entered into individual contracts with each of the designated on-site supervisors, as required by CCR Section 58058(b). Because San Bernardino has failed to enter into written contracts with each of the supervisors, they do not qualify as "employees of the district." Further, since the supervisors are responsible for the immediate supervision of the students in the absence of the district employee, San Bernardino has not complied with the regulation that requires students in the courses to be under the immediate supervision of a district employee.

Regulations Allow Districts To Obtain State Apportionment Funds for Administrative Efforts

We believe that certain sections of the CCR, Title 5, allow districts that perform primarily administrative support functions for training courses to report FTES and thus receive state apportionment funds. The four districts in our sample entered into contractual agreements with state, local, and private entities that conducted training courses for which the contractor provided the facilities and instructors. The district was merely responsible for performing such administrative tasks as registering the students with the community college and processing attendance and grade reports.



Because regulations are too lenient, community college districts can generate excessive state funding.



For example, although Allan Hancock Joint Community College District (Allan Hancock) appears to have met all the conditions to qualify for state apportionment the FTES generated by these agreements, the regulations allowed the district to generate excess state apportionment funds in exchange for administrative support services. The agreements that Allan Hancock entered with the Office of Emergency Services and two private companies stated that the contractor would provide the instructors and the training facilities. In exchange, the district agreed to pay the contractor a certain amount per student or student hour and to perform other administrative support duties, such as registering as community college students the individuals enrolled in the courses. Except for the initial effort necessary to execute the agreements and register the students, in fiscal year 1994-95, Allan Hancock was able to report 577 FTES generated from these agreements, for which it received more than \$840,000 of state apportionment funds.

We believe that some of the requirements in the regulations are too permissive in that they allow the district to exert only minimal effort. For example, CCR Section 58058(b) allows districts to enter into instructional service contracts with public and private agencies as well as with each instructor furnished by the public or private agency to satisfy the requirement that instructors be district employees who supervise course students. This section states that this practice allows an individual to continue as an employee of the public or private agency while simultaneously qualifying as a district employee. To comply with these requirements, a district merely needs to enter into written agreements with the instructors of the courses conducted by the public or private agency to qualify the courses' FTES for state apportionment funding.

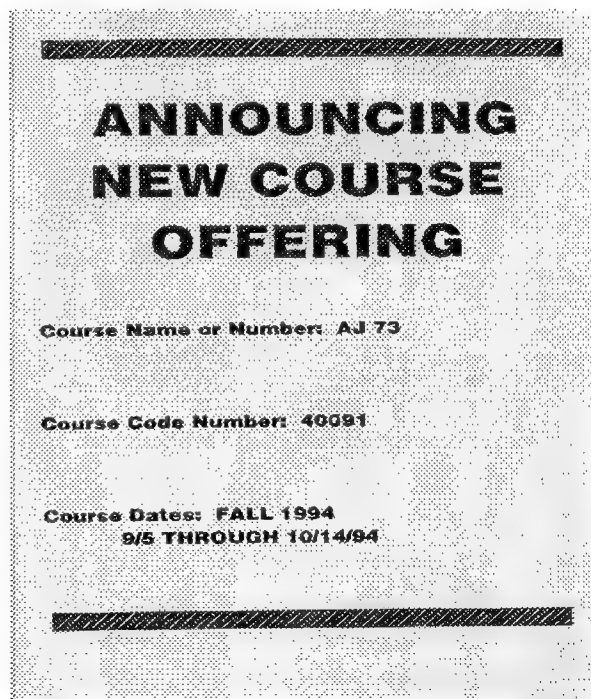
Another requirement for student attendance to qualify for state apportionment funding is that the courses must be open to enrollment by the general public. CCR Sections 58102 and 58104 outline certain requirements that districts must meet to ensure that their courses are open and available to all students. Specifically, CCR Section 58104 states that a description of each course must be published in either the official catalog or an addendum and that the courses must be listed in the schedule of classes. The section further states that those courses that districts establish or conduct after publication of the general catalog or regular schedule of classes must be reasonably well publicized. However, the action required of districts to ensure compliance with these requirements is unclear and open to interpretation because the regulations do not specifically describe what districts must do to publicize a course. As a result, a district could exercise minimal effort and still meet the

Requirements to publicize
course offerings can be
met by simply posting
flyers on campus.

state requirements for open courses. For example, the courses related to the agreements Delta had with Corrections and the Youth Authority were not published in the schedule of classes. However, the district appears to have met the state requirements for publicizing the courses because it posted flyers at various locations throughout the campus. We question whether the flyers provided sufficient information to inform the general student population about the courses. As shown in the following figure, the flyer used by Delta to advertise the "AJ73, Basic Academy: Corrections" course only included a course number, a course code, and the dates of the course. The flyer did not include a course title, description of the course, location of the facility, name of the instructor, or a telephone number that students could call to obtain more information.

Figure

***Delta's Flyer Announcing the
Corrections Course***



Monterey Peninsula and the SFPD claim that the courses pursuant to their agreement were open to the general public because Monterey Peninsula listed them in the school catalog and in the schedule of classes. In addition, the SFPD stated that any person who met the course criteria could enroll. However,

we believe that these courses were not truly open to the general public served by the district because the SFPD held its courses at SFPD facilities in San Francisco, which is more than 120 miles from the Monterey Peninsula campus.

Finally, if they had performed certain administrative tasks, the three districts discussed earlier could have met all the conditions necessary to qualify the courses for state apportionment funds. For example, if Monterey Peninsula had published the DOJ courses in its schedule of classes and had entered into written contracts with the individuals that supervised the students of the courses for both the DOJ and the SFPD, Monterey Peninsula would have met all of the state requirements to qualify the student attendance for state apportionment funds. As noted earlier, Monterey Peninsula received a total of approximately \$655,000 in state apportionment funds for the FTES generated through its agreements with the DOJ and the SFPD in fiscal year 1994-95.

Conclusion

During fiscal years 1994-95 and 1995-96, four community college districts generated at least \$9 million in additional state support by entering into ten instructional training agreements with state, local, and private entities. We reviewed the ten agreements and found that, while the agreements indicate that the state, local, and private entities provided the instructors and the facilities, the districts were responsible for providing primarily administrative support services such as processing student admission and registration forms, and processing attendance and grade reports.

We estimate that for fiscal year 1994-95, the State paid more than \$3.9 million so that participants in the training courses provided by these public and private entities could receive college credit. In addition, five state agencies earned \$1.2 million through these agreements for training programs that in most cases they were providing to their own employees. Moreover, by using their earnings from these agreements to obtain "in-kind" benefits, including goods and services, three state agencies circumvented state budgeting and procurement processes.

Although current regulations allow districts to enter into these types of agreements, we believe that these arrangements needlessly cost the State millions of dollars in that the districts receive state support for providing primarily administrative support services. For fiscal year 1994-95, we estimate that the

State paid more than \$11 million to 28 districts that reported training contracts for which the districts simply provided administrative support services such as processing student registration, admissions, and attendance records. Furthermore, during our review of agreements at 4 districts, we determined that 3 districts did not comply with the regulations that outline the minimum conditions that they must meet to qualify the attendance of students in these training courses for state apportionment funding. As a result, we estimate that for fiscal years 1994-95 and 1995-96, the State overpaid these 3 districts nearly \$6.7 million.

Recommendations

The Legislature should prohibit districts from generating additional state funds through instructional contracts for which the services provided by the districts are primarily administrative rather than instructional in nature.

The Chancellor's Office should calculate and recover the amount of state apportionment funds that the three districts received for which they did not meet the minimum conditions necessary to qualify the training courses for state apportionment funding. In addition, the Chancellor's Office should determine whether the four districts we visited have other agreements for which they inappropriately received state apportionment funds.

The Chancellor's Office should also determine whether the remaining districts that have had these types of agreements have met the conditions necessary to qualify for state apportionment funding. After making this determination, the Chancellor's Office should recover funds from those that have not met the requirements.

Finally, state agencies should discontinue the practice of generating additional revenues and procuring goods and services "off the books." Rather, state agencies should ensure that they include all revenues and expenditures in their annual budget to the DOF.

We conducted this review under the authority vested in the state auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in black ink, reading "Kurt R. Sjöberg". The signature is fluid and cursive, with the first name "Kurt" and last name "Sjöberg" clearly distinguishable.

KURT R. SJOBERG
State Auditor

Date: May 20, 1996

Staff: Elaine Howle, CPA, Audit Principal
Robert Cabral, CIA
George Alves
Ron Bawden
Phyllis Miller, CPA
Arthur Monroe, CPA
Dawn Tomita

Appendix

Estimate of State Funds Generated by Districts Through Instructional Agreements^a During Fiscal Year 1994-95

	Community College District	Total State Funding Received	Total Actual FTES Reported	Estimated Funding per FTES	FTES Generated by Agreements	Estimated State Funds Generated by Agreements
1.	Allan Hancock^b	\$10,701,304	7,337.46	\$1,458.45	896.08	\$ 1,306,887.88
2.	Barstow	3,031,052	1,482.02	2,045.22	134.68	275,450.23
3.	Butte	13,603,397	8,506.60	1,599.16	312.97	500,489.11
4.	Chabot—Las Positas	17,818,709	11,790.17	1,511.32	— ^c	—
5.	Compton	5,808,118	3,835.17	1,514.44	13.52	20,475.23
6.	Contra Costa	29,007,688	26,249.76	1,105.06	543.98	601,130.54
7.	Feather River	1,048,557	862.30	1,216.00	182.34	221,725.44
8.	Foothill—De Anza	25,217,666	26,059.12	967.71	490.00	474,177.90
9.	Gavilan	3,610,546	3,516.06	1,026.87	— ^c	—
10.	Kern	12,047,108	13,199.00	912.73	151.00	137,822.23
11.	Lassen	6,435,040	2,414.24	2,665.45	296.38	789,986.07
12.	Long Beach	20,356,501	16,292.42	1,249.45	136.24	170,225.07
13.	Los Rios	48,691,771	32,736.98	1,487.36	— ^c	—
14.	Merced	10,569,513	6,826.67	1,548.27	139.30	215,674.01
15.	Mira Costa	67,318	6,723.23	10.01	243.53	2,437.74
16.	Monterey Peninsula^b	7,390,542	6,517.70	1,133.92	1,652.48	1,873,780.12
17.	Palo Verde	2,499,597	780.74	3,201.57	230.00	736,361.10
18.	Rancho Santiago	19,507,523	21,330.88	914.52	1,010.80	924,396.82
19.	San Bernardino^b	11,694,981	12,167.70	961.15	457.76	439,976.02
20.	San Joaquin Delta^b	19,243,622	14,035.64	1,371.05	1,691.55	2,319,199.63
21.	San Jose—Evergreen	10,030,923	12,378.01	810.38	— ^c	—
22.	San Mateo	—	17,061.32	—	39.20	—
23.	Santa Barbara	17,010,299	10,995.23	1,547.06	62.91	97,325.54
24.	Sequoias	6,416,587	6,891.75	931.05	21.04	19,589.29
25.	Sierra	54,877	8,304.51	6.61	— ^c	—
26.	Siskiyou	4,355,874	2,106.01	2,068.31	9.03	18,676.84
27.	West Valley—Mission	12,020,790	14,133.75	850.50	— ^c	—
28.	Yuba	6,045,411	6,631.98	911.55	305.82	278,770.22
Totals					9,020.61	\$11,424,557.03

^a Although we are unable to conclude that these agreements were in violation of any regulations, the table above shows that approximately \$11 million of state apportionment was generated by agreements in which the services provided by the districts were primarily administrative rather than instructional in nature.

^b The districts in bold print are those for which we tested a sample of agreements.

^c The districts did not report numbers of FTES for these agreements in fiscal year 1994-95; however, they did report numbers of FTES in fiscal year 1995-96.

CALIFORNIA COMMUNITY COLLEGES

1107 NINTH STREET
SACRAMENTO, CA 95814
(916) 445-8752



May 14, 1996

Kurt R. Sjoberg
State Auditor
Bureau of State Audits
660 J Street
Sacramento, CA 95814

Dear Mr. Sjoberg:

The Chancellor's Office and the Board of Governors, California Community Colleges thank you for the opportunity to respond to the draft report of the audit 96103 conducted by your staff. From the outset, we have enjoyed the opportunity to work cooperatively with your office on this audit. Staff from my office have worked closely with your staff in the development of the initial survey form, the interpretation of the applicable regulations and the determination of the funding involved. While we may disagree with some of your findings and recommendations, we believe we will responsibly address the issues you raise in the report.

First, there is the issue of some of the districts not complying with Board of Governors regulations for claiming state support (FTES) in relation to these training agreements. We will follow-up on all violations which are documented in the final report, and will proceed with any necessary disallowance of reported full-time equivalent students (FTES) and recovery of apportionment funding after allowing the districts involved an opportunity to respond.

Second, there is the issue of your recommendation that the Legislature should prohibit community college districts from generating additional funds through instructional contracts where the services provided by districts are primarily administrative rather than instructional in nature. The central question in these audits is whether the community college districts have exercised sufficient direction and control over the instructional activities to evidence that they are clearly district programs that warrant receipt of state apportionment.

The following are the regulatory requirements to qualify for state apportionment funds:

- programs or courses must be approved;
- courses must be open to the general public;
- students must be under the immediate supervision of a district employee; and
- the district employees must possess valid credentials or meet the minimum qualifications required for the assignment.

Clearly, the requirements taken as a whole, evidence the intent that districts, to claim FTES for state apportionment purposes, must be in control of the instructional activities.

At the same time, Assembly Concurrent Resolution No. 93, Resolution Chapter 44, passed in 1992 (attached), clearly states legislative intent that community colleges offer such public safety training courses in partnership with the appropriate public safety agencies. ^{(1) *} That is because the cost of such instructional activities, due to the types of equipment and facilities needed, and expertise required are very high. Effective use of funding for both the public/private safety entities and community colleges results in most cases, when the training is being done through partnerships that best serve the students and citizens of the State of California.

Consequently, we do not concur with the recommendation that community colleges be prohibited altogether from entering into these types of agreements. ⁽²⁾ When community colleges are truly in control of the instructional activities, subject to meeting specific training requirements prescribed by other agencies like the Department of Corrections, Fire Marshall, Peace Officer Standards and Training, Department of Justice, etc., contractual partnerships are viable. In many cases, the subject matter expertise may reside with another entity's employees; however, attempts to hire staff as part-time instructors have failed because these other entities' employees do not want to give up service credit with their primary employers. To accommodate this need, Title 5, Section 58058 (b), allows districts to have a written agreement with the primary employer and their employee, giving the district the right to direct and control the employee during the time of the instructional activity for which student contact hours of instruction are being counted for state apportionment purposes. With the exception of pay, districts are expected to treat these individuals in all other aspects (i.e. qualifications, supervision, control, etc.), as their employee.

Before making your recommendation to prohibit state support (FTES) for such contracts, ⁽³⁾ we would urge you to consider the concept behind such funding. That is, FTES funding is an "averaging" concept, recognizing that different instructional programs have different costs. A course in nursing, science or a low enrollment course costs more per student than a large lecture course; however, the state funds the student attendance in such courses at the same rate. Consequently, your recommendation might make more sense if the State were to reimburse districts for all the costs of putting on the more expensive courses. This is not the position the state has taken. Rather, the Legislature has enacted a funding formula that does not distinguish between the cost of student workload in the various programs. The intent is that the lower cost programs will help pay for the higher cost programs.

*The California State Auditor's comments on this response begin on page 29.

The policy of allowing districts to enter into such training agreements and claim state support has been in place for about fifteen years. When the Board of Governors and Chancellor's Office were developing these regulations, we worked closely with the Department of Finance and other control agencies. We believe these policies have withstood the test of time and should not be undone unless the Legislature is also willing to consider how districts will be funded for their higher cost programs. Also, your office may not have been aware that the community colleges have the lowest cost per FTES of any segment of public education in California. Our courses have less funding per FTES than either K-12 education or either of the public four-year universities. Consequently, where districts are complying with Board-adopted regulations, we cannot agree with your recommendation that funding should be disallowed for such training agreements.

Clearly, the community college districts audited were sharing the cost of instructional activities with the other entities by paying (reimbursing) a dollar amount per student contact hour per their agreements. However, the practice of procuring goods and services "off the books" is certainly not a practice we believe should be continued and will so advise community college districts.

Lastly, as to the recommendation that this office determine whether other districts have these types of agreements and qualify for state apportionment, we will add to our prescribed standards and procedures of audits of community college districts additional compliance testing of FTES. We will include the prescribed Title 5 requirements along with illustrative examples of evidence of control and supervision to entitle districts to claim the FTES in these types of instructional agreements for state apportionment purposes.

If you have any questions about this response, please do not hesitate to contact me at 322-4005, or Gary L. Cook at 327-6222.

We appreciate the opportunity to respond to your report and look forward to working with your office and other appropriate agencies in addressing the concerns raised in the report.

Sincerely,



Thomas J. Nussbaum
Interim Chancellor

Attachment

cc: Vishwas More
Gary Cook

Assembly Concurrent Resolution No. 93

RESOLUTION CHAPTER 44

Assembly Concurrent Resolution No. 93—Relative to postsecondary education.

[Filed with Secretary of State June 19, 1992.]

LEGISLATIVE COUNSEL'S DIGEST

ACR 93, Woodruff. Postsecondary education.

This measure would request California community colleges to offer sufficient public safety training courses to satisfy state-mandated training requirements.

WHEREAS, The State of California has mandated training requirements for public safety employees, including law enforcement, corrections, and fire and hazardous materials response personnel; and

WHEREAS, These training courses are directly related to the health and safety of the people of California; and

WHEREAS, California's community colleges are the primary institutions offering these state-mandated public safety training courses; and

WHEREAS, Most community colleges are experiencing significant student growth and severe financial problems necessitating a reduction of courses and programs; and

WHEREAS, The curtailment of public safety training courses has created hardships and barriers to meeting these state-mandated training requirements; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That California's community colleges offer sufficient public safety training courses to satisfy state-mandated training requirements, participate in regional consortiums of community colleges in order to minimize duplication of training courses, and make training programs more readily available; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the Governor and the Board of Governors of the California Community Colleges.

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Comments

California State Auditor's Comments on the Response by the Chancellor's Office of California Community Colleges

To provide clarity and perspective, we are commenting on the Chancellor's Office response to our audit report. The following numbers correspond to the numbers we have placed in the Chancellor's Office response.

- ① The resolution referenced in the response does not state that community colleges offer public safety training courses in partnership with public safety agencies as represented in the response.
- ② We do not recommend that community colleges be prohibited from entering into agreements altogether. Rather, as we state on page 21 of our report, we recommend that districts be prohibited from generating additional funds through instructional contracts for which the services provided by the districts are primarily administrative rather than instructional in nature.
- ③ We considered the concept behind the funding of community colleges and we do not agree that it applies to districts that generate additional state apportionment funds through instructional agreements where the districts primarily provide administrative support services rather than instructional services.



San Joaquin Delta College

May 14, 1996

Kurt R. Sjoberg
California State Auditor
Bureau of State Audits
660 J. Street, Suite 300
Sacramento, CA 95814

Re: Response to the California State Auditor's Review of the CDC and CYA
Agreements

Dear Mr. Sjoberg:

For more than sixty years, Delta College has provided academic, technical and vocational training in a variety of disciplines as part of its comprehensive instructional program. During the last twenty years, through instructional agreements with community agencies, the College has been afforded the opportunity to provide services and training which may not have been otherwise available to the students and employers within our District. Before entering into its initial instructional agreement program, the College worked directly with the Chancellor's Office to ensure that the District involvement with public and private agencies was appropriate. We were pleased to have received written approval from the Chancellor's Office on this initial endeavor and have followed their recommendations and State regulations regarding the agreements which have followed. It should be noted, that in the response from the Chancellor's Office, no mention was made regarding a time frame in which the agreement for use of the agency provided instructor must be developed, nor were minimum qualifications of agency employees identified in this written communication. In addition, sections in neither the Education Code nor Title 5 of the Administrative Code have provided regulations regarding minimum qualifications for non-hired agency provided employees, nor regulate the time frame for the signing of an agreement between the District and an agency provided employee.

Instructional agreement negotiations between College administrators and leaders from business, industry, and governmental agencies ensure that curriculum, instructional methods, and instructor qualifications meet Delta College standards. In addition, the College meets all written standards set by the California Community College Chancellor's Office through the Title 5 of the Administrative Code and Education Code regulations.

Office of the President

5151 Pacific Avenue • Stockton • California 95207 • (209) 474-5018

31

* The California State Auditor's comments on this response begin on page 35.

During the past few months, the Delta College agreement for instructional services with the California Department of Corrections has been under some review by the Budget Office of the Legislative Analyst and the Office of the California State Auditor. San Joaquin Delta College has welcomed this review and has cooperated fully with their requests for information. The District is confident that it has operated within the letter of the laws which regulate such instructional agreements for community colleges in the State of California.

2

San Joaquin Delta College makes great effort to document all of its instructional program activities from student matriculation through the hiring of faculty and the provision of state of the art instructional equipment as required to teach specific courses. The College's Corrections curriculum and courses which are offered through the California Department of Corrections (CDC) and the California Youth Authority (CYA) are treated no differently than courses offered on the main campus. The fact that the recent audit identified no irregularities or discrepancies between the curriculum approval process for the courses offered on our campus versus those offered via our instructional agreements speaks to our intent of having these courses and programs follow the shared governance process involved in curriculum review and be considered by faculty and administration as part of our standard curriculum.

In 1988, officials from the California Department of Corrections Academy (located in the City of Galt within the college district boundaries) approached the College and began exploring mechanisms for the receipt of college credit for their cadets. It may be important to note that prior to the initial meeting with California Department of Corrections officials, the College was already quite heavily involved in education and training in the discipline of Corrections. The College is proud of its performance relative to this agreement and has provided training and college credits to thousands of students studying the field of corrections over the years. Many of these students have entered the corrections field or have received promotional opportunities as a result of this program.

District records verify that nearly 700 students were enrolled in courses at Delta College either before or after their enrollment in the Corrections course offered via the District's agreement with the CDC. We believe these students first learned of this exceptional educational and career opportunity by way of the marketing methods used at Delta College.

In terms of earnings, the instructional agreement with the California Department of Corrections typically generates FTES above the general apportionment funded CAP for the College. Although FTES earned above the CAP is unfunded by the general apportionment, the above CAP FTES generated by this agreement has enabled the College to become eligible to receive possible GAIN and Basic Skills funds which may be made available to the community colleges on a year to year basis.

The relationship between Delta College, the California Department of Corrections, and the California Youth Authority is a natural development of our communities economic dependence upon the many state correctional agencies located within our District boundaries. It is imperative that the correctional employees in these institutions receive the best training possible for the safety and security of themselves, the prison population which they are required to supervise, and the communities in which the prisons and

youth authority agencies reside. It should be kept in mind that the number one issue in every community in this State is "public safety." Delta College has been a responsible leader and provider of quality public safety training to that end.

RESPONSE TO SPECIFIC FINDINGS

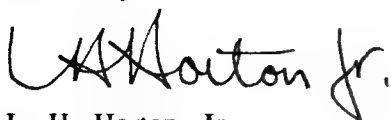
We agree with the portions of the report which conclude that the type of arrangement which we have had with CDC is legal and allowable. We do not agree, however, that the Title 5 regulations referenced by the State Auditor are the sole and exclusive authority allowing establishment of this type of agreement nor do we agree with the finding that Delta College did not comply with all of the conditions necessary to qualify courses for state apportionment funds. The latter contention is based on an asserted absence of signed contracts from some instructors and an unsupported allegation that some of the instructors did not meet minimum requirements for "equivalent qualifications".

Documentation provided to the audit team clearly showed that contracts for each instructor supplied by CDC were issued by Delta College with an appropriately authorized signature on its behalf prior to the commencement of courses. While it is conceded that several contracts were not signed and returned by the individual instructors in a timely fashion, the fact remains that all contracts ultimately were signed. More importantly, the audit team did not establish any indication that the terms of the written contract were not adhered to by the instructor nor is there any requirement cited that both parties' signatures must be affixed prior to the commencement of the course. Delta College clearly indicated to each instructor what the terms of the contract were by transmitting the documents signed by the Colleges' representative, and each instructor indicated his or her acceptance of those terms by (1) signing and returning a signed contract and/or (2) performing according to its terms. That performance may have preceded signing and returning the contract in some instances does not negate the fact that such contracts were issued and accepted.

Delta College provided the audit team with files for each instructor supplied by CDC and CYA which included the documentation by which equivalency qualifications for each instructor were determined. Additional documentation was supplied evidencing communication between Delta College and CDC and CYA which clearly communicated to the contracting agency the requirements for conducting the courses and retaining instructional personnel.

It is obvious that the State Auditor does not approve of certain aspects of the statutory and regulatory frame work within which certain aspects of community college and state agency funding have been carried out in this context. That the State Auditor has disagreements with the Legislature and the agencies which promulgated the regulations should not prejudice Delta College and the other community colleges which have adhered to the laws and regulations pertaining to this area.

Sincerely,



L. H. Horton, Jr.
Superintendent/President

Comments

California State Auditor's Comments on the Response by the San Joaquin Delta Community College District

To provide clarity and perspective, we are commenting on the San Joaquin Delta Community College District's (Delta) response to our audit report. The following numbers correspond to the numbers we have placed in Delta's response.

- ① We disagree with the president that neither the California Education Code nor Title 5 of the California Code of Regulations (CCR) apply. Further, the Chancellor's Office confirmed that the Education Code and Title 5 of the CCR do apply to the contracts we reviewed. Specifically, CCR Section 58058(b) provides districts the authority to enter into these contracts and CCR Section 58050 provides the conditions that districts must meet to qualify for state apportionment funding.
- ② As we state on page 14 of our report, Delta did not meet two of the eight conditions that must be met to qualify for state apportionment funding.
- ③ As we state on page 14 of our report, we determined that nine Department of Corrections (Corrections) and ten Department of the Youth Authority (Youth Authority) employees did not have written contracts with Delta at the time of instruction. Further, the 19 written contracts were signed by the Corrections and Youth Authority employees in February or March 1996 which was after the December 1995 Legislative Analyst's Office report regarding concerns over the Delta and Corrections contract.
- ④ As we state on pages 14 and 15 of our report, we reviewed the qualifications of 31 Corrections and Youth Authority provided instructors and found that 7 did not meet the minimum qualifications nor could Delta demonstrate that the district's governing board had determined that the instructors possessed equivalent qualifications as required by the CCR Title 5 regulations. Further, we believe it is the district's responsibility to ensure compliance with CCR Title 5 regulations rather than the contracting public agency as implied by the response.



Monterey Peninsula College

Dr. Edward O. Gould, Superintendent/President

May 14, 1996

Ms. Elaine Howle
Audit Principal
Bureau of State Audits
660 J Street, Suite 300
Sacramento, California 95814

Dear Ms. Howle:

Monterey Peninsula College is pleased to have this opportunity to respond to the recent draft report on California Community Colleges: The State Paid Millions of Dollars to Community Colleges for Questionable Training Agreements by the Bureau of State Audits.

First, Monterey Peninsula College would like to assure the Bureau that there was no intent to avoid any state regulations required for MPC's course contracts. As the auditors have indicated in their report, our agreements with administration of justice agencies are provided for in the law, and we offered such courses in good faith.

The Bureau's report indicates that MPC met all conditions regulating the offering of these classes with the San Francisco Police Department, with the exception of having instructor contracts on file. In the Department of Justice (DOJ) situation, the draft report indicates that only two of the eight conditions regulating those classes were not met - possession of instructor contracts and assurance of open classes.

With regard to the latter, because MPC courses were offered in many areas throughout the state including public hotels, our administrator in charge was under the impression that open enrollment did occur because the classes were listed in our catalog. All advanced officer training courses are listed in our catalog (Exhibit A). We also call attention to other public agency agreements in our schedules (Exhibit B). ^①

With regard to instructor contracts, we conclude that the Bureau's report referred not to the eight conditions of attendance accounting standards (Exhibit C), but rather to Section 58058 which addresses the contract requirements (Exhibit D). Monterey Peninsula College has required such contracts since 1985 (Exhibit E) and has them on file for other current instructional contract agreements (Exhibit F). Since your audit, we have collected the agreements that we should have had on file (Exhibit G).

With regard to the stated "26 missing contracts," we have obtained signatures for the 1994 - 1995, 1995 - 1996 ^② contract years from the instructor's in the San Francisco Police Department and both Department of Justice Programs. Those contracts are enclosed for your perusal. (Exhibit G-1, G-2, and G-3.) There were other "instructors" all of whom were considered guest speakers as provided for in Section 78022 (Exhibit H).

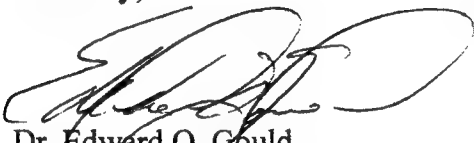
*The California State Auditor's comments on this response begin on page 39.

Page Two

The Bureau's report seems to criticize the physical distance between Monterey Peninsula College and the programs in San Francisco and with the DOJ. We would comment that such "distances" are specifically provided for by law (Exhibit I). In any case, this is a California community college system issue rather than a policy that can be revised by an individual community college district. ③

Again, we thank the Bureau for giving us this opportunity to respond. These are important programs to the State of California that community colleges are well-positioned to deliver in partnership with other public agencies.

Sincerely,



Dr. Edward O. Gould
Superintendent/President

vp

AuditAns
floppy

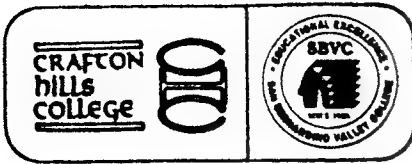
Comments

California State Auditor's Comments on the Response by the Monterey Peninsula Community College District

To provide clarity and perspective, we are commenting on the Monterey Peninsula Community College District's (Monterey Peninsula) response to our audit report. The following numbers correspond to the numbers we have placed in Monterey Peninsula's response.

- ① As we state on page 16 of our report, Monterey Peninsula failed to list the Department of Justice (DOJ) courses in the schedule of classes as required by the California Code of Regulations (CCR), Title 5, Section 58104. Further, DOJ stated that the courses they provided under the contract were primarily open to members of the law enforcement community and secondarily to DOJ employees.
- ② As we state on page 15 of our report, Monterey Peninsula did not have written contracts with any of the 26 DOJ and San Francisco Police Department (SFPD) employees. In their response, Monterey Peninsula provided copies of written contracts that were signed by DOJ and SFPD employees from May 8, 1996, through May 14, 1996.
- ③ Monterey Peninsula provided Exhibit I which is CCR Section 55231, "Establishment of Classes Outside of District." This regulation section is not applicable because the section relates to requests for courses by high school and community college districts and not to contract courses instructed by other public or private entities.

The exhibits referenced by Monterey Peninsula are not included with their response, but are available for review in our office.



SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

441 West 8th Street • San Bernardino, CA 92401-1007 • Ph. (909) 884-2533

May 14, 1996

Kurt R. Sjoberg, State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

The San Bernardino Community College District is in partnership with the San Bernardino County Sheriff's Department to provide quality education for students in our county interested in a law enforcement career. The program serves students who are employed by the San Bernardino County Sheriff's Department and their law enforcement agencies. It also serves students who have no employment relationship but are seeking to qualify for employment in law enforcement based on the training they receive in our program.

In our view, the college and the district meet the spirit and intent of all Title 5 requirements. San Bernardino Community College District has acted in good faith to provide quality education to students and has acted in a consistent manner throughout the implementation of the contract with the Sheriff's Department. Even in the most strict technical analysis, San Bernardino Community College District satisfactorily met all but one of the Title 5 California Code of Regulations requirements for claiming apportionment. The only technical point on which we have been cited was the failure to produce individual contracts with each employee who serves as an on-site supervisor when the college's co-director is not on site.

This point on which we have been cited for technical non-compliance does not jeopardize the instructional program nor deprive students of quality instructional experiences.

- A college employee is on-site for 50-60% of all instruction. In essence, we are out of compliance on a minor technical point for less than half of the instructional hours of the program.

①

* The California State Auditor's comments on this response begin on page 45.

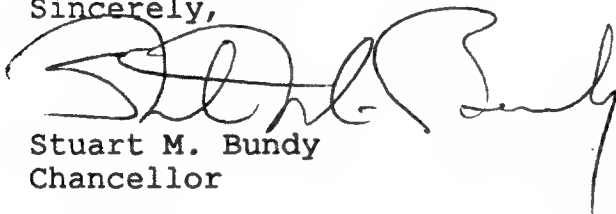
- In the college co-director's absence, instruction has been supervised by credentialed Sheriff's Department staff. We believe that we fulfilled the intent of the Title 5 regulations on immediate supervision by (1) identifying credentialed instructors to provide immediate supervision during the co-director's absence and (2) ensuring that the college's co-director is within reach at all times.
- Staff serving in the on-site supervision role report to the college employee. This reporting structure and the role of the on-site supervisors has been clarified in meetings with Sheriff's Department leadership and staff, creating a verbal agreement among all parties on this point.
- We acted consistently under the assumption that the district's contract with the Sheriff's Department satisfactorily met all requirements of Title 5, including the one for immediate supervision. We created this arrangement under the interpretation that the college's contract with the Sheriff's Department was sufficient to satisfy the Title 5 requirements for immediate supervision and control of the instructional programs. This interpretation was validated by the State Chancellor's Office in 1986 at the time that we entered into our first contract with the Sheriff's Department. Please see attached memorandum from Peter Selo (Vice Chancellor of our district in 1986) to Richard Jones (Chancellor of our district at that time) documenting, "...the Chancellor's Office has agreed that the program finally proposed would meet all of the criteria for apportionment..." The college's interpretation and implementation of Title 5 regulations regarding immediate supervision and control of the off-campus Police Science program has not changed significantly since it was originally approved by the State Chancellor's Office. (2)

The audit report as currently written cites this technical non-compliance as a complete (100%) non-compliance when in truth, the San Bernardino Community College District employee is on site at the Sheriff's Academy during at least 50% of the instruction. According to Table 1, all FTES earned is denied. The total earnings should not be denied even under the most stringent interpretations of the current regulations. (1)

Page Three

We have had no reason to question our current practices in light of several successful reviews of this program/contract and in light of the fact that the quality of instruction is not threatened by this technical point (the requirement for a college contract with individual coordinators in addition to the umbrella contract with the Sheriff's Department). We will adjust our internal policies to bring us into compliance on this minor technicality immediately. But this change in internal processes will in no way change students' experiences or instructors' responsibilities--we have always taken the necessary steps to ensure students' safety and success. We will continue to do so. We have always ensured that on-site supervisors are aware of their duties. We will continue to do so. Coming into compliance on this minor technicality will increase the amount of paper generated within our district--and nothing else.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stuart M. Bundy", written over a horizontal line.

Stuart M. Bundy
Chancellor

SMB/jfb

Attachment

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MEMORANDUM

TO: Richard A. Jones

FROM: Peter A. Selo *P.A.S.*

SUBJECT: Agreement Between the San Bernardino County Sheriff's
Department and the San Bernardino Community College District

DATE: February 5, 1986

RECOMMENDATION: It is recommended the Board of Trustees ratify the attached signed agreement as it does not materially change the original agreement passed by the Board on November 14, 1985.

BACKGROUND

On November 14, 1985, the Board approved an agreement between the San Bernardino County Sheriff's Department and the San Bernardino Community College District for the purpose of expanding the Sheriff's Academy administered by San Bernardino Valley College.

The agreement was based upon an arrangement between this District and the Sheriff's Department that would involve a cost-sharing arrangement since almost all of the expenses for running the expanded Academy would be borne by the Sheriff's Department.

Subsequent to this approval by the Board, representatives from Valley College and the Sheriff's Department accompanied me to the California Community Colleges Chancellor's Office to review the program, as well as all of the ramifications for collecting apportionment. During a very brief but productive meeting, the Chancellor's Office has agreed that the program finally proposed would meet all of the criteria for apportionment and that the cost-sharing provisions previously approved by our Board would be appropriate. Consequently, it is requested that the Board ratify the agreement so that it is possible for us to implement its financial provisions effective July 1, 1985 as proposed in the original agreement. The Board should be aware that there is a floor of 100 ADA (worth approximately \$250,000) and above that we share expenses on a 25% (District) - 75% (Sheriff's Department) basis. This is especially important as it allows the Sheriff's Department to expand its training capabilities for the entire County while providing an incentive, principally to the Department, but also to the College, to recruit and retain students in these programs, thereby, increasing the District's total ADA.

PAS/jfm
Attachment

Comments

California State Auditor's Comments on the Response by the San Bernardino Community College District

To provide clarity and perspective, we are commenting on the San Bernardino Community College District's (San Bernardino) response to our audit report. The following numbers correspond to the numbers we have placed in San Bernardino's response.

①

Per Section 58056(a), only the attendance of students under the immediate supervision and control of an academic employee of San Bernardino shall be included in the computing of FTES. Immediate supervision is characterized by the authorized employee being able, in terms of physical proximity and range of communication, to provide immediate instructional supervision and control. In addition, the authorized employee is not to have any other assigned duty during the instructional activity for which attendance is being claimed. Because the San Bernardino employee only supervised the courses at the sheriff's training center 50 to 60 percent of the time, San Bernardino did not comply with the requirement for immediate supervision and control.

As shown in our report, Table 1 on page 7 provides an estimate of the revenue generated by instructional agreements between the districts and outside entities. Furthermore, our recommendation on page 21 states that the Chancellor's Office should calculate and recover the amount of state apportionment funds that the three districts received for which they did not meet the minimum conditions necessary to qualify for state apportionment funding.

②

San Bernardino did not provide documentation showing the Chancellor's Office's approval of the existing supervisorial arrangement. In contrast, the memorandum San Bernardino provided is an internal document from San Bernardino's Vice Chancellor to its Chancellor in which the Vice Chancellor discusses approval by the Chancellor's Office. Furthermore, we reviewed the original master agreement between San Bernardino and the San Bernardino County Sheriff's Department and found no reference to the method or procedures for providing direct supervision by San Bernardino employees.



**ALLAN
HANCOCK
COLLEGE**

Ann Foxworthy Stephenson, Ph.D.
Superintendent/President

Board of Trustees
Walt Rosebrock, President
Richard K. Jacoby, Vice President
Robert F. Grogan
Larry Lahr
Aaron Petersen
Daryl Christensen, Student Trustee

May 13, 1996

Kurt R. Sjoberg
State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg,

Enclosed is my written response to the report entitled "California Community Colleges: The State Paid Millions of Dollars to Community Colleges for Questionable Training Agreements."

Sincerely,

Ann Foxworthy Stephenson, Ph.D.
Superintendent/President

Response of Allan Hancock College

College Commitment to Maintain Control Over Content and Quality of Instruction

The assumption that Allan Hancock College exerted only "initial effort necessary to execute the agreements and register the students ..." does not reflect the full extent of the college's commitment and involvement in maintaining the quality of instruction in the courses offered through agreements with other agencies.

The college worked hand-in-hand with the agencies to co-develop courses. The courses were approved through the regular college curriculum approval process: departmental review, recommendation by the chair of the department, review and recommendation by the dean, and approval by the college curriculum committee.

Course instructors, while employed by agencies with whom the college had agreements, were required to complete the standard college application process. They were evaluated by college faculty and administrators to insure they met the same minimum qualifications required of all community college instructors.

The college assigned a coordinator to implement and monitor each agreement. This coordinator met with the staff of each agency and approved the schedule of classes and assignment of instructors. In addition, the coordinator and other staff members evaluated instruction, inspected lab facilities and reviewed records. The academic dean of the department provided further oversight and coordination.

Depending on the educational goals of the students, they may have received college matriculation services. These services were provided for all the students registered in credit classes of one of the private entities with which the college had an agreement. Students participated in assessment, academic advising and orientation in order to develop individual educational plans with the assistance of a college counselor.

The audit report does not acknowledge the college staff time to perform all these functions directly related to instructional quality and control of content.

①

Maintaining a Comprehensive Curriculum Requires the College to Balance High Cost and Low Cost Programs

The audit report states "...we believe the regulations allowed the district to generate excess state apportionment funds in exchange for minimal administrative efforts." Not all programs at a college have the same cost to offer, yet all receive the same apportionment funding. Maintaining a comprehensive curriculum assumes that some programs with high costs due to extensive use of equipment and/or low student to instructor ratios will need to be supported by low cost programs. For example, laboratory classes with a limited number of work stations are

*The California State Auditor's comments on this response begin on page 51.

more costly than large lecture classes. It costs more to teach nursing than it does to teach philosophy. The college could not offer the high cost programs without balancing them with low cost programs.

When legislation was enacted to permit community colleges to enter into these agreements and receive state apportionment, the intent was to provide cost effective instruction through college collaborations with other entities that could supply facilities, equipment and expertise not available at the college. It appears inappropriate to question this practice on the basis of the relatively low cost to offer the courses. Allowing a cost effective method by which to offer otherwise high cost courses seems to have been the intent of the legislature in permitting these programs to generate apportionment.

2

Comments

California State Auditor's Comments on the Response by the Allan Hancock Joint Community College District

To provide clarity and perspective, we are commenting on the Allan Hancock Joint Community College District's (Allan Hancock) response to our audit report. The following numbers correspond to the numbers we have placed in Allan Hancock's response.

- ① The activities cited relate almost entirely to course development or instructor qualification. We agree that these activities are necessary and that Allan Hancock should be compensated for them. We do not, however, believe that Allan Hancock should receive full apportionment funding for these essentially administrative activities as if Allan Hancock directly provided course instruction.
- ② We did not question the concept of high-cost and low-cost courses when Allan Hancock provides instructional services. For those courses where Allan Hancock provides only administrative support services, the cost to the taxpayer would be even lower if Allan Hancock was reimbursed only for the cost of administrative support activities instead of receiving full apportionment funding for these activities.

Memorandum

Date : May 15, 1996

To : Kurt R. Sjoberg
California State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, CA 95814

Subject: **CALIFORNIA COMMUNITY COLLEGES**

Thank you for the opportunity to respond to the draft report on California Community Colleges.

The report accurately states that I canceled the contract with San Joaquin Delta Community College (SJDCC). I did so immediately, after being advised of the details of the contract.

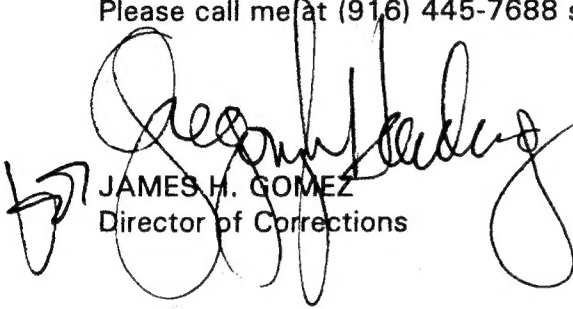
The Department of Corrections (CDC) has enrolled Correctional Officer Cadets into SJDCC accredited courses for lower division college credits through the Department's Basic Correctional Officer Academy (BCOA). The college accredited the curriculum of the BCOA in 1989. This Department planned to earn \$787,500 under a two-year contract with SJDCC during Fiscal Years 1994/95 and 1995/96. These funds were to be developed by SJDCC through the apportionment process based on full-time student equivalents. Correctional Officer Cadet enrollment with SJDCC for credit, registration, and tuition fees was estimated at \$358,072. This was to be applied to the \$787,500 available funds. Equipment funds were estimated at \$257,437 of the \$787,500 available funds. At the time I canceled the contract there were approximately \$172,000 unexpended funds available from the estimated \$787,500. The report accurately details the use of the funds between fees and equipment.

In June 1995 I directed Richard A. McGee Correctional Training Center (CTC) personnel to return all unused equipment purchased with SJDCC funds. The equipment that was not received, or received and still in its original box, was identified and either held at SJDCC or stored for return because SJDCC refused to accept the equipment because of some alleged contractual issue. The SJDCC administration on May 9, 1996 agreed to accept the new equipment stored at the CTC provided the CDC would release SJDCC of any liability for equivalent funds. I have agreed to this condition.

I support the option available to the community colleges to certify education programs provided by private or public employers to their employees, or to prospective employees. These are excellent human resources development programs, academic and vocational, that serve the interests of the students, general public, employers, and the State's economic vitality. I also agree with the report's recommendation that the revenues

developed in support of State agency education and training programs, under the authority of the community colleges, should be declared within the normal budget planning and reporting processes required of State agencies. Improvement in this area of the State's budget review and accountability activities supports our need to be fiscally responsible and prudent with taxpayer resources entrusted to the State.

Please call me at (916) 445-7688 should you wish to discuss this response.



JAMES H. GOMEZ
Director of Corrections



JOE G. SANDOVAL
Agency Secretary



May 13, 1996

Kurt R. Sjoberg, State Auditor
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

The Department of the Youth Authority has been provided an opportunity to review a portion of the preliminary report prepared by the Bureau of State Audits regarding California Community Colleges. This letter is in response to that report.

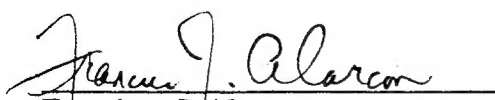
We concur with the conclusion of the State Auditor that it is inappropriate for a state agency to generate additional revenues and to procure goods and services outside of the usual budgetary review process.


As noted in the report, the Department of the Youth Authority terminated its agreement with the San Joaquin Delta Community College District in February 1996. In entering into this agreement, it was never the intent of the Department to circumvent the annual budgetary review process. Under Title 5 of the California Code of Regulations, community college districts do have the authority to enter into agreements with outside agencies for instruction services. Our intention was to coordinate our training programs with the San Joaquin Delta Community College District, consistent with this authority.

Although the agreement between the Youth Authority and the San Joaquin Delta Community College District has been terminated, the Department is interested in pursuing the possibility of continuing to provide community college credit for our Basic Academy. To the extent the provision of these credits encourages the cadets to continue in a college program and further develop their knowledge and skills the Department benefits. Our intention is to determine possible options for providing this benefit as long as the action taken is appropriate and is consistent with the budgetary review process.

Thank you for the opportunity to review the preliminary report. If you have any questions regarding this issue, please contact Barbara Allman, Deputy Director, Administrative Services Branch, at (916) 262-1401.

Sincerely,


Francisco J. Alarcon
Chief Deputy Director
Department of the Youth Authority


Joe Sandoval
Secretary
Youth and Adult Correctional Agency
JUL 11 1996

DANIEL E. LUNGREN
Attorney General

State of California
DEPARTMENT OF JUSTICE



P.O. BOX 903281
SACRAMENTO, CA 94203-2810
(916) 227-2222

FACSIMILE: (916) 227-4760

(916) 227-3481

May 14, 1996

Mr. Kurt Sjoberg, State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, CA 95814


Dear Mr. Sjoberg:

Thank you for the opportunity to comment on your Bureau's report concerning community colleges.

Please be assured that the Department of Justice did not intentionally circumvent its budgetary authority when it accepted "in-kind" benefits from the Monterey Peninsula Community College. In fact, during the period of the agreement, the Department had adequate budgetary and program authority to accept and spend reimbursements generated by its Law Enforcement Training Program. However, the Department understands the perspective presented in the report and concurs that proceeds and expenditures generated through any future cost sharing agreements will be reported in the Department's accounts.

Sincerely,

DANIEL E. LUNGREN,
Attorney General


WILLIAM E. FIPPEN, Chief
Director's Management Office
Division of Law Enforcement

2025 1 1 YAM

cc: Members of the Legislature
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps